



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 16 | Date: April 17, 2020

A Company Set Up Under Section 42 of the Companies Act, 2017

PAKISTAN TIDINGS

Workers' Remittances

- The workers' remittances received during July–March FY20 amounted to US\$ 16,991.6 mn, recording an increase US\$ 960.7 mn or 6.0pc over remittances received during July–March FY19 (US\$ 16,030.9 mn).
- Workers' remittances during March 2020 amounted to US\$ 1,894.4 mn, recording an increase of US\$ 69.4 mn or 3.8pc over remittance received during previous month (February 2020 US\$ 1,825.0 mn).
- The remittances during March 2020 (US\$ 1,894.4 mn) increased by US\$ 160.9 mn.
- During March 2020, larger amounts of workers' remittances were received from Saudi Arabia (US\$ 452.3 mn), UAE (US\$ 420.4 mn), USA (US\$ 352.4 mn) and UK (US\$ 248.5 mn) recording an increase of 7.2pc, 8.6pc, 5.5pc for Saudi Arabia, UAE and USA respectively.

Banking Briefs

Deposits Folder

Deposits of all scheduled banks amounted to Rs. 15,080.799 bn as on April 3, 2020, against Rs. 15,126.310 bn as on March 27, 2020, less by 0.30pc.

Credit Portfolio

Advances of all scheduled banks amounted to Rs. 8,232.718 bn as on April 3, 2020, against Rs. 8,259.017 bn on March 27, 2020, less by 0.32pc.

Growth to Plummet, Fiscal Deficit to Skyrocket: WB

Pakistan faces sharp economic recession along with a skyrocketing fiscal deficit as fallout from the prevailing global coronavirus pandemic, the World Bank said recently. In addition, the country's external position will come under serious stress as remittances can see a significant fall while portfolio outflows continue and the "non-traditional debt" from countries like Saudi Arabia, China and the UAE has to be renegotiated. Provision of support systems for the unemployed as well as small businesses, along with massive investments in healthcare infrastructure, are likely to place a steeply rising burden on fiscal resources as the country grapples with the continuing fallout. Growth will remain subdued all through next year as well, according to projections contained in the World Bank's latest report. The World Bank emphasized government's priority should be to ensure that everybody has access to healthcare, ensure smooth food supply, create temporary jobs, especially for migrant workers, prevent bankruptcy of

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

9pc | Effective from April 16, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	9.96	10.21
ENDING	8.48	8.73
CHANGE	-1.48	-1.48

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 188.00	PKR 171.00	PKR 158.50
ENDING	PKR 188.00	PKR 171.00	PKR 158.50
CHANGE	0	0	0

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	32,033
ENDING	32,831
CHANGE	+798

GOLD RATE

(10 gm)

STARTING	PKR 76,732
ENDING	PKR 76,732
CHANGE	0



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small and medium enterprises and, in the long run, rebuild the economy on a sustainable basis.

IMF Acknowledges Pakistan's Response to Pandemic

The International Monetary Fund (IMF) recently noted the rapid pace at which COVID-19 has been spreading in Pakistan and acknowledged the Rs. 1.2 tr relief package announced by the government. "COVID-19 has been spreading rapidly in the past month in Pakistan, with 4,489 confirmed cases claiming 63 deaths, as of April 9", the IMF said in its new publication Policy Tracker of its 193 member states. The fund said both the federal and provincial governments, in response, have implemented a range of measures to delay and contain the spread of the virus. These included quarantining more than three thousand travelers from Iran, closing borders with neighboring countries, international travel restrictions, school closures, social distancing measures and lockdowns in cities and provinces across the country.

ECC Sets Aside 200,000 Tonnes of Wheat for Utility Stores

The Economic Coordination Committee (ECC) of the cabinet on April 13 approved allocation of additional 200,000 tonnes of wheat from public sector stocks for supply to the Utility Stores Corporation (USC) at a cost of Rs. 8.7 bn. This is part of the Rs. 50 bn earmarked for supply of essential kitchen items to people at subsidized rates under the relief package announced by Prime Minister Imran Khan in response to the COVID-19 outbreak. The meeting decided to set aside 200,000 tonnes of wheat for the USC from stocks of the Pakistan Agricultural Storage and Services Corporation (PASSCO). The supplies to the USC would, however, be ensured in tranches. The first tranche will be of 50,000 tonnes and would be released immediately, the rest will be released on demand by the USC, according to an official statement.

PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	FY 2020 _t	-
REAL GDP	5.5	3.3	4.0	-
AGRICULTURE SECTOR	3.9	0.9	3.5	-
INDUSTRIAL SECTOR	4.9	1.4	2.3	-
SERVICES SECTOR	6.3	4.7	4.8	-
CPI INFLATION (YoY%)	FY 2019 _{pa}	JUL 19 - MAR 20 _{pa}	FEB 2020	MAR 2020
NATIONAL	6.8	11.5	12.4	10.2
URBAN	7.1	11.1	11.2	9.3
RURAL	6.3	12.2	14.2	11.7
FOOD INFLATION-URBAN/RURAL	4.6/4.8	14.4/16.6	15.2/19.7	13.0/15.5
	FY 2018	FY 2019 _p	1 JUL 19 - 3 April 2020	-
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	798.864	-
_{PA} PROVISIONAL	-	-	-	-
_{PA} PERIOD AVERAGE				
_T Target				

Data Sources: PBS/SBP/PC



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Mobile Utility Store Service Launched

Minister for Planning, Development and Special Initiatives Asad Umar recently inaugurated the 'Mobile Utility Store Service (MUSS)' for providing relief to the people due to market closures and lockdown in the country. On this occasion, Federal Minister Asad Umar said that the government was committed to providing relief to vulnerable sections of the society amid the corona pandemic. He said that due to the closure of markets and lockdown, the prime minister had directed to provide necessary food items to people at their doorstep. He said that the MUSS would provide flour, sugar, rice, lentils and ghee at subsidized rates throughout the country.

SECP Relaxes Major Provisions of NBFCs

The Securities and Exchange Commission of Pakistan (SECP) recently relaxed major provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 to facilitate the asset management companies during the coronavirus pandemic. According to Circular Number 11 of 2020 issued by the SECP, the COVID-19 (coronavirus) has affected many businesses around the world and has been declared as a pandemic. "Due to the prevailing situation and in pursuant to the challenges faced by the asset management companies in complying with certain requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations"), the SECP in exercise of the powers conferred under Section 282B(3) of the Companies Ordinance, 1984 read with sub-regulation 67(A) of the NBFC Regulations hereby allows some relaxations for 90 days or as mentioned below in relations to compliance with certain requirements of the NBFC Regulations and circulars issued there under: First, the time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations is extended from four months to six months." The SECP stated that the time period for classification of a debt security to non-performing category was extended from 15 days to 180 days as per the requirement of annexure-II of Circular No 33/2012 dated October 24, 2012. Debt securities, which are regular in payment of mark up, however, deferred the payment of principal for one year as per the agreement shall be treated as performing.

SBP's New Refinance Scheme to Avoid Layoff of Workers

To support the employment of workers in the face of economic challenges posed by the spread of COVID-19, the State Bank of Pakistan (SBP), has introduced a temporary refinance scheme for businesses entitled Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns. The core objective of this facility is to incentivize businesses to not lay off their workers during COVID-19 Pandemic. The scheme will be available to all businesses in Pakistan through banks and will cover all types of employees including permanent, contractual, daily wages as well as outsourced workers. The scheme will provide financing for wages and salaries expense for three months from April to June 2020 for those businesses which do not layoff their employees for these three months. The mark-up on the loans under this scheme will be up to 5pc. Borrowers that are on the active taxpayers list, will be able to get loans at a further reduced mark-up rate of 4pc. The scheme has been designed to give preference to smaller businesses. Businesses with a 3 month wage and salary expense of up to Rs. 200 mn will be able to avail the full amount of their expense in financing while those with a 3 month wage and salary expense of greater than Rs. 500 mn will be able to avail up to 50pc of their expense. Businesses in the middle category will be able to avail up to 75pc of their 3 months' salary and wage expense. The banks will not charge any loan processing fee, credit limit fee or prepayment penalties for loans under this scheme. A grace period of six months will be allowed to the borrowers while the repayment of the principal amount will be made in two years.

SNIPS

The Front Line of the Economy

In 2019, the US retail, food service, building maintenance, health care support and personal care industries employed 42 mn people, which is nearly 30pc of the workforce.



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INTERNATIONAL SCENARIO

Dollar Reigns as King, Even as Coronavirus Hits US

The coronavirus outbreak in the United States has caused millions of people to lose their jobs and brought the economy to its knees but it has not dethroned the American dollar. To the contrary, the currency has risen in value this year, gaining 6pc from its lowest point reached in early March, according to the US dollar Index, which measures the greenback's value against a basket of other currencies. The dollar's rise is primarily due to its privileged position as the world's reserve currency. That means that in times of crisis investors want to put their money in safe havens, even if the US economy is in trouble as well. Unlike other currencies, one can print a lot of dollars without the dollar necessarily weakening dramatically. The US Federal Reserve's move, in recent weeks to pump multiple trillions of dollars in liquidity into the financial system, have not weakened the value of the currency.

Canadian Lawmakers Approve Vast Economic Aid Plan

Canadian lawmakers passed a wage subsidy program recently, which was heralded as the largest economic measure in the country since World War II, to help businesses and their employees get through the coronavirus crisis. Parliament is suspended but held an exceptional session in the middle of Easter weekend to adopt the Can\$ 73 bn (US\$ 52 bn) program, which aims to pay companies 75pc of their employees' salaries to avoid massive layoffs. Prime Minister Justin Trudeau attended the session. He had been in isolation in his home for a month after his wife contracted the virus.

US Banks Prepare to Seize Energy Assets as Shale Boom Goes Bust

Major US lenders are preparing to become operators of oil and gas fields across the country for the first time in a generation to avoid losses on loans to energy companies that may go bankrupt, sources aware of the plans revealed. JPMorgan Chase & Co, Wells Fargo & Co, Bank of America Corp and Citigroup Inc are each in the process of setting up independent companies to own oil and gas assets. The

banks are also looking to hire executives with relevant expertise to manage them, the sources said. The banks did not provide comment in time for publication. Energy companies are suffering through a plunge in oil prices caused by the coronavirus pandemic and a supply glut, with crude prices down more than 60pc this year.

OPEC, Russia Approve Biggest Oil Cut

OPEC, Russia and other oil producing nations agreed recently to cut output by a record amount, representing around 10pc of global supply, to support oil prices amid the coronavirus pandemic. The group, known as OPEC+, agreed to reduce output by 9.7 mn barrels per day (bpd) for May-June, after four days of marathon talks and following pressure from US to arrest the price decline. The OPEC sources said the deal had been sealed in a video conference and the agreement was confirmed in a statement from Kazakhstan's energy ministry. In the biggest oil output cut ever, the countries will keep gradually decreasing curbs on production in place for two years until April 2022.

Amazon Fills 100,000 Jobs, Will Add 75,000 More

Amazon said recently that it has filled the 100,000 US jobs it promised a month ago to meet demands from the coronavirus outbreak and was ready to take on 75,000 more. The announcement by the technology and retail colossus highlighted surging demand for online commerce with the pandemic forcing people to shelter in place. Amazon's hiring spree, which is being mirrored by other firms in food and retail sectors, comes amid news that US unemployment claims surged by some 17 mn over the past month.

SNIPS

A Deepening Crisis

According to a recent Marist poll, nearly 1 in 5 American workers have been laid off or had their hours cut since the country's first coronavirus cases were reported in January.

Burned Out With Nowhere to Go

In a recent Deloitte survey, nearly 70pc of respondents expressed that their companies did not provide enough resources or support to address employee burnout.



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MANAGEMENT VIEWS

MANAGERIAL TIPS

How to Communicate with Your Customers in a Crisis

In a fast-moving crisis, it is important for leaders to communicate with empathy and honesty — not just internally, but externally as well. Of course, customers require a different approach than employees. Make sure you focus on what is important to them. For example, with the current coronavirus crisis, Target's CEO recently sent out a note to customers describing enhanced in-store cleaning procedures and additional staffing for order pickup and drive-up services. If possible, provide customers relief during a crisis by waiving fees or limits. This not only reassures current customers but can bring new ones on board. Most importantly, focus on empathy rather than trying to create sales opportunities. Companies should rethink advertising and promotion strategies to be more in line with what is happening in the world. Otherwise you risk sounding tone-deaf and alienating your customers. (This tip is adapted from *Communicating Through the Coronavirus Crisis*, by Paul A. Argenti-HBR.)

Trust is Even More Important When You Are Working Remotely

Supervisors who suddenly have found themselves managing a fully remote team may be wondering how to measure employee productivity and quality of work from a distance. The key ingredient is trust. You may not be able to see what people are doing, but you can still equip them with the information they need, assign them tasks and check on them like you always have. Since you cannot monitor process in the same way, your review will have to be based on outcomes. Of course, there is no reason to believe that, in this new environment, people would not do the work they have been assigned. Remote work has been around for a very long time and today we have the technology to not only do our own work but also to successfully collaborate. So as a manager, your main job is to heed Ernest Hemingway's advice: "The best way to find out if you can trust somebody

is to trust them." (This tip is adapted from *15 Questions About Remote Work, Answered*, by Tsedal Neeley-HBR.)

Create a Response Team for Internal Communications

In the normal course of business, decentralized communication makes sense, especially if you lead a large, complex organization. But in an emergency or fast-moving situation, you need a crisis-response team. Ideally it should be small — five to seven people. Include a member of the leadership team, someone from communications, a human resources leader and an expert in the area of concern. This team should meet regularly to monitor the situation closely as it continues to evolve, giving regular updates that are succinct and as transparent as possible. Long messages filled with legalese will not be read or easily understood. Explain what you know, what you do not know and share your sources of information. In an urgent crisis, you will have to communicate when you do not have as much information as you want. Be vigilant about correcting mistakes without worrying about the repercussions. (This tip is adapted from *Communicating Through the Coronavirus Crisis*, by Paul A. Argenti-HBR.)

How to Adjust to Working from Home

When you are not accustomed to working remotely, it can be hard to adjust psychologically. To make the transition, take a disciplined approach to managing your day and develop a few rituals. Schedule a start and an end time for work. Take a shower, get dressed — even if it is not your usual office attire — then get started on the day's activities. If you typically move around a lot at work, build that into your day by taking brief walks outside or even around the house. If you are an extrovert and accustomed to a lot of social contact, make sure that still happens. Ask yourself: "How will I protect myself from feeling lonely or isolated?" and make a plan. And focus on the positives. Think about what you enjoy about working from home, for example, playing music or being more flexible with your time. Remind yourself that even if it is not your choice right now, working from home can be fun. (This tip is adapted from *15 Questions About Remote Work, Answered*, by Tsedal Neeley-HBR.)

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